

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 OPIC-12 H-03 EB-11 COME-00 TRSE-00 L-03

FRB-02 PA-04 PRS-01 USIA-15 SS-20 NSC-10 CIAE-00

INR-10 NSAE-00 RSC-01 XMB-07 AID-20 CIEP-02 OMB-01

CEA-02 DRC-01 SPC-03 /149 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4616

CONFIDENTIAL BUENOS AIRES 8981

E.O. 11652: GDS

TAGS: ECON, EFIN, AR

SUBJ: COMMERCIAL BANK NATIONALIZATION SUMMARY

REF: A. BA 7191; B. BA 5775

1. SUMMARY. BANKS TO BE EXPROPRIATED AND GOA AUTHORITIES ARE CONTINUING WITH PROCESS OF EVALUATION OF ASSETS WHICH MUST BE COMPLETED BY JANUARY UNDER TERMS OF DECREEE 1430. MAJOR US BANKS INVOLVED, CHASE, FNCB AND MORGAN, REPORT THEY ARE GENERALLY SATISFIED WITH EVALUATION PROCESS AS IT HAS BEEN HANDLED THUS FAR AND ARE HOPEFUL FOR A REASONABLE SETTLEMENT. CHASE BANK LIKELY TO HAVE GREATEST PROBLEMS.

2. FNCB, WITH 100 PERCENT OWNERSHIP BANCO DEL ATLANTICO AND BANCO DE MAR DEL PLATA, REPORTS PROCESS OF ASSET EVALUATION MOVING AHEAD SATISFACTORILY. FNCB DID NOT HAVE TO MAKE EXTENSIVE EXPENDITURES IN "INTANGIBLES" FOLLOWING PURCHASE OF BANKS AND HOPES FOR FAIR SETTLEMENT ON INVESTMENT. TOTAL VALUE OF EQUITY INVESTMENT RELATIVELY SMALL (ABOUT 2 MILLION DOLLARS), AND THUS FNCB BELIEVES IT SHOULD BE POSSIBLE TO FIND PRIVATE BUYERS. IT IS ALSO POSSIBLE GOVERNMENT WILL PURCHASE EQUITY ITSELF, EITHER TO HOLD OR FOR LATER RESALE TO PUBLIC.

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3. MORGAN CURRENTLY OWNS ABOUT 43 PERCENT OF BANCO FRANCES DEL RIO DE LA PLAT WITH INVESTMENT ESTIMATED AT 5 MILLION DOLLARS. REPORTEDLY

MORGAN WISHES SELL SHARES TO PRIVATE INDIVIDUALS KNOWN TO BANK SO AS TO BRING ITS TOTAL HOLDING TO LESS THAN 20 PERCENT. MORGAN WOULD THEN REMAIN AS PARTICIPANT IN "ARGENTINE" BANK. MORGAN IS HOPING TO OBTAIN ENOUGH TIME TO EFFECT THIS TRANSFORMATION AND AT SAME TIME PERHAPS ARRANGE FOR SPECIAL MANAGEMENT CONTRACT THAT WOULD ALLOW IT TO CONTINUE EXERTING IMPORTANT INFLUENCE ON MAJOR BANK DECISIONS.

4. CHASE SITUATION MORE COMPLICATED AND PRESENTS GREATER PROBLEMS. CHASE CURRENTLY OWNS 70 PERCENT OF BANCO ARGENTINO DE COMERCIO WITH INVESTMENT ESTIMATED AT APPROXIMATELY 8 MILLION DOLLARS. IT HAS MADE CONSIDERABLE INVESTMENT OF MORE OR LESS INTANGIBLE NATURE WHICH MAY NOT QUALIFY FOR COMPENSATION UNDER TERMS OF THE BANK NATIONALIZATION LAW. ALSO HIGHLY UNPROFITABLE BRANCH STRUCTURE, WHICH IT INHERITED AND HAS NOT BEEN ALLOWED TO CHANGE, MAKES BAC UNATTRACTIVE TO PROSPECTIVE LOCAL BUYERS AND AFFECTS EVALUATION OF ASSETS. THUS CHASE COULD STAND TO LOSE A CONSIDERABLE AMOUNT OF MONEY UNLESS APPROPRIATE SETTLEMENT WITH GOA CAN BE NEGOTIATED. CHASE ALSO MUST WORK OUT WITH MONETARY AUTHORITIES A SETTLEMENT REGARDING ANY CHASE LIABILITY FOR GUARANTEE OF CHASE BANK SUBSIDIARY ON CERTAIN FOREIGN EXCHANGE TRANSACTIONS THAT TURNED OUT BADLY. CHASE CONTINUES TO EXPRESS CONCERN LEST THIS EPISODE COLOR FUTURE CHASE ACTIVITIES IN ARGENTINA. CHASE EXPECTING ASSET VALUATION WILL BE TERMINATED BY JANUARY ON SCHEDULE BUT DIFFICULT TO FORESEE WHEN NECESSARY SETTLEMENT SEPARATE ISSUE OF CHASE LIABILITY ON GUARANTEE EXTENDED ON BEHALF CLIENT MAY BE REACHED. CHASE REP HAS TOLD EMBASSY CONFIDENTIALLY THAT CHASE WOULD LIKE TO EXCHANGE ALL OF ITS INTEREST IN BANCO ARGENTINO DE COMERCIO FOR RIGHT TO ESTABLISH ITS OWN BRANCH IN BUENOS AIRES. CHASE SEEKING TO AVOID SHOWING LOSSES ON DISSOLUTION OF INVESTMENT HERE WHICH COULD CREATE BAD PUBLIC RELATIONS AND LESSEN POSSIBILITY OF OPENING INDEPENDENT BRANCH.

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